Product Trends Identified at the
Winter Fancy Food Show, San Francisco, 2003

One main reason companies attend trade shows is to identify trends in the marketplace. The intent of this report is to categorize the emerging trends, or themes, seen in specialty food products at the 2003 Winter Fancy Food Show. The findings in this report were drawn from trade floor observations made at the Winter Fancy Food Show and store visits undertaken in the San Francisco Bay area in January 2003. Store tours were offered by both Food Beverage Canada and show organizers. As the Winter Fancy Food Show is a specialty food event, these conclusions may or may not apply to the broader specialty food category and other markets in the United States.

Product Themes in Retail Stores

Short visits were made to about ten specialty retailers in the Bay area; all but two were independently owned. Mollie Stone's is an upscale local chain of a dozen stores, and Whole Foods Market has about 120 locations across the US. Specialty retailers (eg Bi-Rite Market, Woodlands Market) are influential on food trends in San Francisco, as they attract leading chefs and food writers, offering them the latest in new food ideas. We heard that in these more uncertain times, people are cooking more at home, cooking classes are more popular, and families are paying more attention to what they eat.

In all stores visited, there was some degree of emphasis on organic products, most notably in fruit and vegetable displays. Many, or most, produce items were organic, and, we were told, "if its available organic, we'll take it". The trend-setting Woodlands Market also labeled country of origin on every produce item, and described the health attributes of specific vegetables and fruit.

The two larger retail operations have added certification programs "that go beyond organics", in an attempt to distinguish themselves from the now mainstream organic supply base now found in most San Francisco supermarkets. Whole Foods has created an "Authentic Food Artisan" certification program for organic products "made using traditional methods... in small batch production, from the finest ingredients."

Mollie Stone's has contracted with Scientific Certification Systems' NutriClean Division to test pesticide residue levels in both organic and conventional produce, using standards that "are up to a thousand times tougher than the EPA standard". Suppliers must disclose their chemical use, and have field samples taken for lab tests, with additional spot-checking at the produce terminal. The stores advertise the slogan, "Just because it's organic...doesn't mean it's pesticide free".

Healthy, fresh, socially responsible and humane treatment of animals were themes evident in most stores. Deli and meat counters often displayed natural meats with no preservatives and a range of branded products (eg Country Natural Beef from Oregon, sustainably-farmed Petaluma Poultry). Meat departments were featuring "wild salmon", "line-caught tuna", "natural range-fed veal", and corn-fed Angus with no antibiotics, no steroids, and no animal by-products

in feed. Mollie Stone's flyers claim "we hire our own fishermen", while Whole Foods has brochures warning consumers about methylmercury in seafood.

Themes in New Product Showcases

On the first day of the Trade Show, the "Award" and "What's New" product showcases were scanned for evidence of new themes or emerging trends. New at the show this year was the Natural Foods Showcase, which by its existence alone indicates the growing importance of natural foods in the US market. This high demand category is defined as having no artificial or synthetic ingredients, and is driven by "an aging population, an interest in self-care and a better understanding of the correlation between diet and health".

Also new this year was a small Kosher Showcase. Kosher food sales are growing by 15% annually, totaling $5.75 billion in sales in 2001, because of "their high quality and healthful status". Other showcases included Foodservice and Gifts. While showcases were useful in providing an overview of potential themes, manufacturers paid to be included in the displays, thus they could not be considered truly representative of new product introductions. Many companies do not use the showcases.

Reference Categories

Based on observations from the store tours and showcases, a list of perceived themes was developed:

- Social responsibility/Fair Trade - affiliation with charities, fair prices to farmers
- Certified Organic - USDA accredited
- Natural - no artificial ingredients, no preservatives
- Beneficial for Health (eg. sugar or lactose-free) - attributes that improve health
- Kosher certified
- Folksy/Stories about producers - establish personal connection with consumers
- Traditional/Old-fashioned - implied quality and care, wholesome goodness
- Family Values/kids - playing and cooking with kids, extended families
- Artisan - regional specialties, made with time-honoured, batch-type methods.
- Ethnic - Hispanic, Italian, Indian, etc.

Information from the Show Floor

A statistically representative sampling method was developed to gather data from manufacturers' booths on the trade show floor, to determine the popularity of these themes in marketing plans. Data was collected from 158 booths, representing approximately 20% of exhibitors at the show.

Fifty-six percent of the manufacturers sampled (ie 89 out of 158 booths) used at least one of the identified themes on our list, and of those, almost a third used a combination of two or more themes (eg organic and fair trade). Sixty five firms demonstrated no observable trends. Data indicate that the preliminary work on theme identification effectively captured the key marketing strategies, or themes, employed in the US specialty foods market.

Theme	No. of Companies with Theme
Folksy/Stories	24
Certified Organic	16
Social responsibility/ Fair Trade	5
Natural	20
Beneficial for Health	16
Kosher	6
Traditional/Old-fashioned	13
Family Values/kids	10
Artisan	2

A food consultant from San Francisco commented that Artisan products and knowing the farmer/producer are important new trends, with farmers markets expanding in the Bay area. This is reflected in the popularity of stories about food producers on product labels and "old-fashioned", the most common themes we found at the show. The term "natural" was found in many categories, especially cheese, spices, tortilla chips and salsas, cookies and meat products. Organic certification was more common with coffee, teas and snack products, although it was found in most categories. The social responsibility theme was associated primarily with coffee and chocolate products, which are produced in developing countries.

An educational session on specialty food retailing described tea/coffee and beverages, condiments and desserts as the mainstay of the US specialty market, with interest in fancy pastas on the wane. Tropical fruit flavours and chipotle (smoked chile) were incorporated into many products, including BBQ and hot sauces, meat products, and condiments.

Market Leaders

Marketing guru Phil Lempert described tomato sauces for pasta, organics, spice rubs and Kosher as hot areas. Tree of Life, the largest natural products distributor in the US, profiled the following categories as "hot": Ethnic (Thai, Hispanic, Indian), Organic (in all categories), Kosher, natural snacks and cereals, soy and meat alternatives, sports nutrition bars and beverages, cake decorations, and non-dairy.

The companies Numi Tea and the Republic of Tea demonstrated that fine tea sales have been strong in recent years, and that organic is an important area to move into. Chino Valley Ranches commented that their expansion of 60% in organic egg production still couldn't meet consumers' demand.

The San Francisco Chronicle, in a review of the Show, highlighted the designated Kosher area at the show, commenting that the number of certified Kosher foods has increased dramatically in recent years. They also noted that "heightened consumer concern for food safety will be emphasized even more", likely contributing to the demand for certified organic and kosher products.

Summary

With a little advance planning, pre-show tours and new product showcases can be used as sources of information about emerging trends or themes at food shows. The prevalence of new themes can be measured with an organized sampling process at the trade show, offering a easy tool to measure market place interests.

San Francisco is food-oriented city, with a large number of restaurants and retailers offering in novel cuisine and unique food trends. Organic products are securely established in the Bay area, and consumers are open to trying ethnic and fusion foods.

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New Product Opportunities Identified for Ethnic Foods at the Winter Fancy Food Show, San Francisco, 2003

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Currently the ethnic food market is worth $800 million.[1] This includes Mexican, Italian, Chinese, Japanese, Thai, Caribbean and various parts of the Middle East, and Northern African.

To identify the newest ethnic food trends watch the restaurant trade as food trends usually start in the restaurant industry and then filter down to the retail market.[2] In California the food trends demonstrate a mixture of the cultures that dominate the state. This ethnic influence continues to increase with immigration and create new opportunities. Chefs blend a variety of ethnic food ingredients and spices to create new and unique flavors. This trend, known as fusion cuisine, can be seen in San Francisco's Chinatown. Restaurants feature a blend of Asian foods, which are known as Pan Asian.[3]

The Mintel International Group's report "The U.S. Emerging Ethnic Food Market" states that easy to prepare ethnic product sales increased 41% between 1996 and 2001. This report also cautions retailers and manufacturers that six out of every 10 consumers think that the ethnic food products purchased at supermarkets are inferior to the same dish bought in a restaurant. As a result, there is an opportunity for processors to provide a high quality ethnic easy to prepare or ready meal.

The Fancy Food Trade Show had numerous exhibitors who featured ready-made Chinese, Thai and Kosher dishes as part of their product line. These dishes ranged from minimal preparation to heat and serve. For example

- Thai Kitchen featured Rice Noodle Bowls and Instant Rice Noodle Soup, which were prepared by adding water and heating.
- Indian Harvest offered Thai Cooking kits, which were an assortment of sauces, traditional curry pastes, noodles, rice, and a cookbook.
- La Briute processes kosher shelf-stable/self-heating meals. These meals included the food entrée, food heater, fork, salt, pepper, napkin and 2ounce water pouch. Although La Briute meals take 14 minutes to heat it uses a very interesting technology. Poring the two-ounce package of water on it activates a heater, located on the bottom of the container. This allows the consumer not to be dependent on a microwave, stove or boiling water. La Bruite's brochure is attached.

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[1] Lempert, Phil. "Market Trends" Specialty Food Magazine January/February 2003 page 14
[2] Making a Broker and Distributor Relation Workshop
[3] Making a Broker and Distributor Relation Workshop

Kosher foods were well represented and for the first time, the tradeshow featured a kosher section. The tradeshow directory lists 222 exhibitors with certified kosher products but not all of the companies were located in the kosher section. The foods present at the trade show ranged from beef jerky to biscotti and from sun dried tomatoes to surimi.
All major certifying agencies were represented: Organized Kashruth Laboratories (OK Labs), Union of Orthodox Jewish Congregations, KOF-K Kosher S and Star-K Kosher Certification.

The "Kosher Today" publication, which was handed out at the tradeshow, states that the 2002 US kosher market was worth $6.65 billion and had a consumer base of 10.5 billion. The Jewish community is not the only consumers of kosher products. Muslims, Seventh-Day Adventists, Jehovah's Witness, vegetarians and people who are lactose-intolerant also find kosher foods acceptable.

The Kosher Today publication also identifies that U.S. kosher foods processors have significant and unrealized potential to serve the Canadian kosher market. A recent USDA Foreign Agriculture Services Study revealed that the Canadian kosher food sales increased from $480 million in 2000 to $575 million in 2001. This is a 19.7% increase. The report identifies the following four reasons for the growth:

- Increased religiosity among Jews
- Concern about food safety by other Canadians
- Increased interest by Muslim, Seventh Day Adventists, Jehovah Witnesses, vegetarian and people who are lactose intolerant
- Increasing availability of kosher products.

With a population of 360,000 Canada is the sixth largest center for Jews. The largest Jewish communities are Toronto, Montreal and Vancouver. Supermarkets have become major players in the kosher market. Approximately 40% of Loblaw's stores have kosher departments year round and Thornhill, Ontario the Sobey's tripled is kosher department from 5000 to 15,000 square feet.

The USDA report outlines the following food product opportunities: home meal replacements, soy foods and beverages, snacks, organic foods, beef, bottled waterfruit juices, fish, functional foods and candy. Although more research is needed, perhaps there is an opportunity for Canadian/Alberta processor to serves this market rather than U.S. processors.

Initially I felt the Hispanic market was not represented at the tradeshow. However, further research into Hispanic food consumption revealed that several products could be considered part of the Hispanic cuisine. Cheese products such as Queso Fresco, Queso Blanco (Mozzarella Company), hot sauces (El Mexicano Sliced Jalapeno Pickled Pepers), tortilla wraps (Tumaro's Gourmet Tortillas) and salsa (Xochitl) are all part of Hispanic cuisine.

I only recognized two booths featuring East Indian food products. One was curry powder, the other a combination of wild rice dishes, soups and sauces (Indian Harvest). I was surprised that the East Indian market so poorly represented, as, I understood California (especially L.A.) to have a high Middle East population. Also, Tree of Life identified it as

one of the top five trends. However, the Mintel International Group report states that interested in Indian Foods has decreased.

Other ethnic trends I observed were:

- The Japanese flavor Wasabi was very popular. It was found in sauces (raspberry wasabi dipping mustard)-, ready meals and snack foods such as Wasabi peas.
- Numerous Thai products
- Several ethnic drinks i.e. chai

New Product Opportunities Identified for Organic Foods at the Winter Fancy Food Show, San Francisco, 2003

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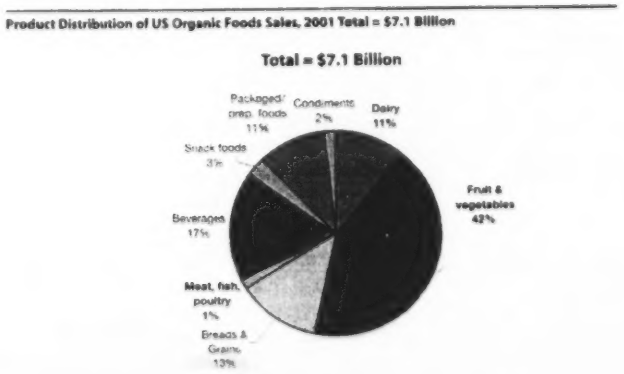
On October 21, 2002 the United States Department of Agriculture (USDA) implemented a new standardized National Organic Program (NOP). All products whether produced in the U.S. or exported to the U.S. must meet the same USDA standards. These standards define the labeling requirements for all Organic and/or Made with Organic food products. The USDA organic label categories are:

- **100% Organic:** Exclusively cultivated, processed and made with 100% organic ingredients (excludes water and salt)
- **Organic:** Contains at least 95% organic products (excludes water and salt)
- **Made with Organic Ingredients:** Contains 70% - 94% organic ingredients (excludes water and salt)
- **Some Organic Ingredients:** Contains less than 70% organic ingredients.

These standards were implemented in an attempt to standardize a hodgepodge of regulations and increase consumer's confidence in the product quality. However, in February, a bill was passed which will allow livestock producers to certify and label their meat organic even if it has been partly or entirely conventional grain. This contradicts the organic philosophy and may confuse the consumer rather ran increasing consumer confidence.

Throughout the 1990s the organic foods industry grew annually by more than 20%. In 2001, the organic industry had $7.1 billion in sales in the U.S., approximately $650 (CDN) million in Canada. Tree of Life, the leading distributor of organic, specialty and ethnic foods, predicts that organic market will continue to increase rapidly. In fact, the Nutrition Business Journal forecasts organic food sales to be $14 billion in 2005.

As seen in the chart below, fruits and vegetables accounts for 42% of the 2001 organic food sales in the U.S.. The market make-up is similar in Canada. Canadian Natural and Organic Retail Markets written by Rosalie Cunningham provides an in-depth analysis of the Canadian organic market. http://www.agric.gov.ab.ca/food/organic/organic.html)


Product Distribution of US Organic Foods Sales, 2001 Total = $7.1 Billion
Total = $7.1 Billion
Packaged/ prep. foods 11%
Condiments 2%
Dairy 11%
Snack foods 3%
Fruit & vegetables 42%
Beverages 17%
Meat, fish, poultry 1%
Breads & Grains 13%

Prior to the trade show, I participated in a San Francisco gourmet store tour. In this tour it was noted that the stores do not feature an organic section but rather have incorporated the food products into the shelves with the remaining products. There was no significant price difference between the organic and non-organic products. Some highlights of the tour are:

- Whole Foods features the following organic private label products: Whole Kid Organic, 365 Organic Everyday Value (frozen vegetables), and 365 Organic.
- Andronico's featured organic produce from Triple certified organic farmers and organic artisian breads.
- Trader Joes also has an organic private label and stocks a complete line of organic foods: refrigerated, deli, snack foods, sauces, preserves, breads, soups, beverages candy, and beverages. It was the only store, which was advertised that frozen organic beef would be available soon.

At the trade show the organic food market was probably the most prominent food group. Even the cover of the trade show's directory featured organics.

There where numerous organic sauces, salad dressing, oils, snack foods, and preserves. One trend I observed was that often manufactures new products lines were an organic extension of their existing line. This was seen in the salsas, tortilla chips, preserves oils and snack foods such as potato chips.

There were two exhibitors with organic meat. Organic Valley Family Farms, a Cooperative that sales fresh milk, cheese and organic turkey, chicken and beef products. Green Circle serves both the restaurant and retail market. They have a complete line of portion cut and case ready beef. At the show, Green Circle was featuring three ready to eat products: pot roast, meatloaf and meatballs.

Maple Grove Farms of Vermont own the brand Up Country Naturals of Vermont, which has both organic and natural products. This was the only exhibitor I seen with organic baking mixes (yellow cake, devil's food, corn muffin, fudge brownie), pancake mixes and oatmeal cereals.

Organic coffee, chocolate and vanilla was also exhibited.

The multinational corporation, Quaker Oat has introduced a Mother's 100% natural product line. Other major food corporations that are entering the organic food industry are:

- Pepsico is testing organic snack foods
- Dole – organic bananas and fruit salad
- General Mills – Sunrise organic cereal
- Heinz – organic ketchup
- McCormick & Co. – Gourmet Collection line of spices include several 100% organic

- Tyson Foods – test marketing Nature's Farm organic chicken
- Procter & Gamble – Millstone coffee brand includes organics
- Kellogg – Plans to produce Organic Promise cereal under the Kashi brand.

As more multinational corporations enter the organic industry, it will be more difficult for Alberta/Canadian processors to enter and be competitive in the market. Niche marketing and product differentiation will be critical.

New Product Manufacturing Opportunities Identified for Frozen Foods at the Winter Fancy Food Show, San Francisco, 2003

Prepared By: Dan Wuerch, MISB, AAFC Manitoba

The frozen food sector was under-represented at the Fancy Food Show in San Francisco. Traditionally, this show has a focus on showcasing high end, specialty foods that are not frozen. However, there were enough exhibitors and products at the 2003 show to make intelligence gathering possible and to answer the frozen Key Intelligence Topic.

The frozen food exhibitors in attendance did bring unique looking or tasting products to the Winter Fancy Food show. There appears to be a demand for frozen food appetizers, especially those that are easily turned into a meal. A Quebec company in the Canadian pavilion was making mini pizzas for the snack food market. The manufacturer had found a successful niche in the growing US frozen pizza market by keeping the product small. In addition, ethnic appetizers were commonly displayed throughout the show. With ethnic appetizers, a host could add an element of exotic to any dinner party. In general, The Fancy Food Show had plenty of ethnic sauces and spreads. It appears that a natural extension of consumer needs would be for ethnic frozen foods.

Unique appearance or taste of a traditional product was another trend observed. A french fry/potato wedge manufacturer was using dye coloured french fries and spicy potato wedges to successfully establish a market niche in the food service industry.

The packaging of frozen entrees is geared to the "meal in a bowl" concept, whereby there is no additional dish to dirty. The bowl allows the product to be attractively packaged and is functional at the same time. Most US homes now own a microwave oven and use it considerably to prepare a quick meal.

In conversations with Canadian exhibitors of frozen foods at the show, it was apparent that they did well as private label manufacturers for US retailers or distributors. They felt strongly about their competitiveness as a private label manufacturer and how non-competitive they were or would be as a brand based company in the United States.

Things to Consider

1. Private label frozen food could be an affordable market entry strategy for Canadian manufacturers considering the US market.

2. Canadian frozen food manufacturers should target the Private Label Manufacturers Association (PLMA) show in Chicago in lieu of The Fancy Food Show. This show has significant foodservice and retail appeal for buyers in the growing frozen food industry. Therefore, more Canadian exporters should use the PLMA to demonstrate their strengths in frozen food manufacturing.

3. A frozen french fry/potato exhibitor at the WFFS needed approximately 10 million pounds of frozen potato products per year and was surprised to hear of Canada's supply capacity. I.e. Networking at any food show is very important and will pay dividends to those who work hard and smart, using good intelligence.